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C O N F I D E N T I A L BUENOS AIRES 000036

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FOR A/S TOM SHANNON FROM AMBASSADOR GUTIERREZ

E.O. 12958: DECL: 01/04/2016
TAGS: [PGOV](#) [PREL](#) [ECON](#) [PARM](#) [AR](#) [SNAR](#)
SUBJECT: ARGENTINA SCENE-SETTER FOR ASSISTANT SECRETARY
SHANNON

REF: A. 05 BUENOS AIRES 2345
[¶](#)B. 05 BUENOS AIRES 1936

Classified By: Ambassador Lino Gutierrez for Reasons 1.4 (B) and (D).

¶1. (C) INTRODUCTION AND SUMMARY: On behalf of Embassy Buenos Aires, I warmly welcome your visit to Argentina January 11-12. Your visit comes at a critical time for Argentina's relations with its neighbors, especially Bolivia. As a result of Kirchner's resounding victory in October 23 legislative elections, Kirchner has tightened his already firm personal control of foreign, defense, and economic policy. Argentina's interests in Bolivia are mostly focused on ensuring a steady supply of affordable gas and preventing increases in drug trafficking and illegal immigration. Kirchner's policy towards Bolivia occurs in the context of increasing economic ties with Chavez, but a fraying relationship with its other MERCOSUR partners. END
INTRODUCTION AND SUMMARY.

Kirchner's Tightened Political Grip

¶2. (C) On November 28, the Casa Rosada named replacements for several key cabinet positions. The most troubling nominee, given her history of pro-Chavez and pro-Castro statements, was former Ambassador to Venezuela Nilda Garre as the new Defense Minister. A major surprise was the announcement of Banco Nacion President Felisa Miceli to replace Roberto Lavagna as Minister of the Economy. Appointing Miceli placed economic policymaking firmly in the hands of Kirchner, who has proven to be an unpredictable economic policymaker. Deputy Foreign Minister Jorge Taiana, Kirchner's chief foreign policy advisor during the 2003 campaign, was tapped to be the new Foreign Minister. Last August, Taiana told me and the DCM that Kirchner would continue to be very focused on domestic politics for the remaining two years of his term. Taiana also cautioned us not to expect Kirchner to initiate a more active foreign policy in the wake of a big election win. The cabinet changes do not alter our fundamental

strategic interests in Argentina, but they will make it more difficult for us to pursue them.

Regional Influence

¶3. (C) Argentina has played a positive role in promoting human rights and democratic institutions in the hemisphere, particularly in Haiti and Bolivia. Kirchner, with nothing to gain politically, decided in 2004 to deploy 575 peacekeeping troops in Haiti in support of MINUSTAH. This decision reflected Argentina's traditionally strong support of UN peacekeeping operations worldwide (e.g. in Cyprus and Bosnia) and its specific commitment to Haiti. By all accounts, Argentine peacekeepers have performed superbly in Haiti, and we expect the GOA to continue to renew MINUSTAH's mandate - unless Brazil or Chile pulls out.

Bolivia

¶4. (C) Although erratic on Bolivia at the beginning of his term, Kirchner was a strong supporter of constitutional democracy over the last several years. Argentina sent a group of election observers to the December 18 Bolivian presidential election, headed by former Argentine Vice President and current Mercosur President, Carlos "Chacho" Alvarez. In a December 22 meeting, Foreign Minister Taiana told me that Argentina's policy towards Bolivia mirrors the U.S. policy of constructively engaging the new GOB and steering them in a moderate direction.

¶5. (C) Increasing natural gas availability is a top priority for the Kirchner administration. Senior administration officials recognize that energy policy is critical to sustained economic growth (ref. A) and Planning Ministry officials have been in active discussions with their Bolivian counterparts to increase natural gas imports from Bolivia (ref. B).

¶6. (C) President-elect Morales, expected visit on January 17 represents an opportunity for Argentina to secure increased natural gas imports from Bolivia. From 1971 to 1998 Argentina spent more than USD 4 billion on Bolivian natural gas. In 2003, the two countries signed a natural gas agreement under which Argentina currently imports nearly 4.5 million cubic meters of natural gas daily. (The Argentines would like to increase this to 7 million cubic meters per day.) The development of the Northern Gas Pipeline (GNA) has the most long-term promise for strengthening that bilateral relationship and would bolster Bolivia's economic growth.

¶7. (C) Energy firms and analysts believe that the GNA will cost approximately USD 1.5 billion and - once started - could be compete in two years. The price, however, will be an issue. Vice President-elect Linera said January 5 that the "solidarity price" for natural gas deliveries to Argentina no longer existed. Linera announced that the incoming Morales administration intended to "negotiate a regional market price that fundamentally benefits Bolivia" during Morales' January 17 visit to Argentina. Potential investors in the GNA are concerned about political stability and an acceptable investment framework under Bolivia's Hydrocarbons Law.

¶8. (C) Aside from maintaining a steady supply of affordable gas, Argentina has a strong interest in preventing an increase in the amount of illegal narcotics crossing its northern border, as well as a potential rise in illegal immigration in the event of political chaos. Argentine border police (with DEA assistance) - in their largest seizure ever - recently captured a 738 kilo shipment of cocaine in the province of Salta. Argentina has seen larger flows of cocaine and heroin across its northern border, bound for Europe, the United States, or simply Buenos Aires.

Venezuela

¶9. (C) In Venezuela, President Kirchner played a constructive role in pressing Chavez to hold a recall referendum in 2004 and met with the Venezuelan opposition on two occasions in ¶2004. More recently, Argentina has sought stronger economic ties with Venezuela. Kirchner met with Chavez in the Venezuelan city of Puerto Ordaz on November 21 during a trip that the GOA stressed was all about economics. The presidents broke no new economic ground, however, and Kirchner's economy minister was absent from the delegation. The meeting resulted in a declaration (the "Orinoco Declaration") to strengthen the countries' economic relationship, which is not naturally robust. Historically, Venezuela has absorbed less than one-half of one percent of Argentina's exports, while Argentina has been the destination of less than one-tenth of one percent of Venezuela's exports. From Kirchner's perspective, the most important element of the trip was that Chavez agreed to continue Venezuela's purchases of Argentine bonds, which have totaled approximately USD 1 billion thus far in 2005.

Comment

¶10. (C) Although Kirchner may be ideologically sympathetic to Morales, he may soon find like minds do not always think alike. Morales - who has already traveled to Caracas, Havana and is currently in Europe - only recently agreed to add Buenos Aires in a final stop January 17. Vice-President elect Linera's announcement that the GOB intended to end its

preferential gas price for Argentina was another indication that ideology will not carry this bilateral relationship very far. The example of Uruguay is instructive. After welcoming fellow leftist Tabare Vazquez's November 2004 election, Kirchner has found himself embroiled in a bilateral dispute over two paper mills on the Rio Plata, and now finds that a senior Uruguayan official is apparently keen on breaking MERCOSUR unity by negotiating a separate free-trade agreement with us.

GUTIERREZ